

## STATEMENT OF CONSIDERATIONS

### REQUEST BY CONVERDYN FOR AN ADVANCE WAIVER OF THE GOVERNMENT'S DOMESTIC AND FOREIGN PATENT RIGHTS UNDER DOE CONTRACT DE-AC03-02SF22515; DOE WAIVER NO. W(A)-02-031; SAN 694

The Petitioner, ConverDyn, has requested an Advance Waiver of the Government's domestic and foreign rights to inventions in the above cited research and development contract. See Appendix A, ConverDyn Petition, Petition Answer #1.

#### The Uranium Conversion Technology

ConverDyn is a partnership between Honeywell International and General Atomics. ConverDyn markets the uranium conversion services provided by the Honeywell Metropolis Works uranium conversion facility in Metropolis, IL. This facility has been operational for over 40 years and is the only remaining uranium conversion operation in the United States. See Appendix A, ConverDyn Petition, Petition Answer #4. For the last 10 years, ConverDyn has been the sole supplier of uranium conversion services necessary for manufacturing of nuclear fuel. See Appendix B, Sole Source Justification. ConverDyn has the "exclusive" right to the uranium hexafluoride ( $UF_6$ ) conversion process at the Honeywell Metropolis plant. More specifically, this uranium conversion process converts uranium oxide, which results from the mining and milling of uranium ore, into uranium hexafluoride.  $UF_6$  is then transferred to a uranium enrichment facility where the naturally occurring quantity of isotope U-235 is increased – or enriched – to levels required for nuclear fuel. The work to be performed under the contract will improve the economic and environmental performance of the conversion process used at the Metropolis Conversion Facility. See Appendix A, ConverDyn Petition, Petition Answer #6.

In the FY 2002 Energy and Water Appropriations Act, Congress recommended the Department of Energy to contract with the nation's sole remaining uranium converter, ConverDyn, for the purpose of performing research and development to improve the environmental and economic performance of U.S. uranium conversion operations. See Appendix C, Energy & Water Development Appropriation Bill (Senate Report 107-39). It is expected that the technology developed under this contract will result in a smaller waste stream from the uranium conversion process. See Appendix A, ConverDyn Petition Answer #13.

#### The Allocation of Patent Rights

ConverDyn has requested the worldwide rights in all inventions made under this contract. Usually, DOE expects the Contractor to cost-share the contract by at least 20% before granting an advance waiver. However, ConverDyn has already made substantial investment in the program through laboratory testing, literature searches, and development. ConverDyn also states that the total cost to complete the project will be twice the fixed price of this contract; but ConverDyn is committed to the completion of the program at the agreed fixed price. See Appendix A, ConverDyn Petition Answer #10. In addition, ConverDyn is the only U.S.

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company to perform this type of work. The remaining world converters are in Canada, France, Great Britain and Russia. See Appendix A, ConverDyn Petition Answer #9. The U.S. nuclear energy industry relies on the fuel pellets produced by ConverDyn. Furthermore, Congress has specifically mandated that DOE enter into a contract with ConverDyn. See Appendix C. Congress wants to maintain the last domestic source of uranium conversion. In order to enter into this contract, ConverDyn requests title to its inventions to assure that the technologies developed under this contract are held solely within ConverDyn and its parent company, Honeywell. ConverDyn has stated that there has been no Government contribution to this technology in the last thirty years. See Appendix A, ConverDyn Petition Answer #8. Therefore, ConverDyn/Honeywell may maintain its competitive advantage over its foreign competitors by retaining the patent rights along with their privately funded trade secrets and special know-how developed over the last several decades. See Appendix A, ConverDyn Petition Answer #13.

ConverDyn has agreed to the standard patent clause (10 CFR 784), which allows the Government to retain a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on the behalf of the Government the subject inventions throughout the world. Therefore, the Government will be able to use the inventions for non-commercial purposes.

In addition, ConverDyn has agreed to the standard U.S. Competitiveness Clause as follows:

The waiver recipient agrees that any products embodying any waived invention or produced through the use of any waived invention will be manufactured substantially in the United States, unless the waiver recipient can show to the satisfaction of DOE that it is not commercially feasible to do so. In the event DOE agrees to foreign manufacture, there will be a requirement that the Government's support of the technology be recognized in some appropriate manner, e.g., recoupment of the Government's investment, etc. The waiver recipient further agrees to make the above condition binding on any assignee or licensee or any entity otherwise acquiring rights to any waived invention, including subsequent assignees or licensees. Should the waiver recipient or other such entity receiving rights in any waived invention undergo a change in ownership amounting to a controlling interest, then the waiver, assignment, license or other transfer of rights in any waived invention is suspended until approved in writing by DOE

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Conclusion

Accordingly, in view of the statutory purposes of DOE waiver policy, and the objectives of the Uranium Enrichment program, and in view of the factors to be considered under DOE's statutory patent waiver policy, all of which have been considered, it is determined that this advance waiver will best serve the interest of the United States and the general public. It is therefore recommended that this waiver be granted.

  
Gary Drew


Counsel for Intellectual Property

DOE, Oakland Operations Office, CA

Date: 11/25/02

Based on the foregoing Statement of Considerations, it is determined that the interests of the United States and the general public will best be served by waiver of the United States' domestic and foreign patent rights as set forth herein, and therefore, the waiver is granted. This waiver shall not apply to a modification or extension of this contract where, through such modification or extension, the purpose, scope or DOE cost of the contract has been substantially altered. This waiver shall not affect any waiver previously granted.

CONCURRENCE:

  
William D. Magwood, IV, Director  
Office of Nuclear Energy, Science  
and Technology (NE-1)

Date: 11-26-02

APPROVED:

  
Paul Gottlieb  
Assistant General Counsel  
for Technology Transfer and Intellectual Property

Date: 11-27-02